

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Firstbank Corporation

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|--------------------------------|------------------|--------------------------------------------------------|----------|
| Point of Contact: | Samuel Stone | RSSD: (For Bank Holding Companies) | 1134322 |
| UST Sequence Number: | 552 | Docket Number: (For Thrift Holding Companies) | |
| CPP/CDCI Funds Received: | 33,000,000 | FDIC Certificate Number: (For Depository Institutions) | |
| CPP/CDCI Funds Repaid to Date: | | Credit Union Charter Number: (For Credit Unions) | |
| Date Funded (first funding): | January 30, 2009 | City: | Alma |
| Date Repaid ¹ : | N/A | State: | Michigan |

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

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☐ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

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☒ **Increase reserves for non-performing assets.**

In 2011 we maintained the reserve for loan loss above \$21 million. In 2010, we increased reserve for loan losses by \$2.3 million from the end of 2009, after having increased our reserve for loan losses by \$4.4 million from the end of January 2009 to the end of December 2009.

☐ **Reduce borrowings.**

☒ **Increase charge-offs.**

Net charge-offs in 2011 were \$13.7 million, an increase of \$2.7 million over the 2010 amount. Net charge-offs in 2010 were \$11.0 million, an increase of \$0.8 million over the 2009 amount. Net charge-offs in 2009 were \$10.2 million, an increase of \$5.1 million over the 2008 amount.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

During 2011 tier I and total capital increased \$4.7 - \$4.9 million. During 2010 tier I and total capital increased \$2 - \$3 million. Capital cushion over well capitalized ratios were increased by \$30 -34 million during 2009 providing insurance against significant losses.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.